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IN THE

Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS, INC. *et al.*,

Petitioners,

v.

GROKSTER, LTD. *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF OF IEEE-USA AS AMICUS CURIAE IN SUPPORT OF NEITHER PARTY

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BRIEF OF IEEE-USA AS AMICUS CURIAE IN SUPPORT OF NEITHER PARTY[1]

INTEREST OF AMICUS CURIAE

IEEE-USA is an organizational unit of The Institute of Electrical and Electronics Engineers, Inc. (IEEE), a New York Corporation. IEEE-USA supports the nation's prosperity and competitiveness by fostering technological innovation and promoting U.S. industry for the benefit of all, including the more than 225,000 technology professionals in the United States who are members of IEEE. IEEE-USA seeks to ensure that copyright law is correctly applied, in accordance with the principles set forth by the Founders, to promote the progress of science and the useful arts.

IEEE-USA members serve on the "front line" of the United States copyright and patent system. Its members include inventors and software authors who create and use cutting-edge technology, who research and publish professional articles and journals, and who develop published standards that form the bases for widely adopted and critical technologies. They are entrepreneurs and employees of firms that acquire, license, and market copyrighted works.

IEEE-USA members also include content owners and members of the public. IEEE-USA recognizes that the promotion of progress requires a delicate balancing of these

1. In accordance with Supreme Court Rule 37.6, IEEE-USA states that this brief was authored in its entirety by the counsel listed on the cover and that counsel to a party did not author this brief in whole or in part. No person or entity other than the amicus curiae and its counsel made a monetary contribution to the preparation or submission of this brief.

groups' interests with those of authors and developers, and IEEE-USA consistently speaks for that balance. When an issue threatens to disrupt the nation's intellectual property system, IEEE-USA respectfully believes it has the experience and perspective to aid a court in interpreting the law to achieve the constitutional objective of progress. The secondary liability question presented in this case is such an issue.

IEEE-USA respectfully believes that its views can aid the Court in resolving the issues raised in this important appeal. In accordance with the by-laws of the IEEE, the IEEE-USA Board of Directors has unanimously authorized the filing of this brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

The question before this Court is when a provider of a reproduction or distribution technology having both infringing and noninfringing uses (a "dual use" technology) may be held liable for another's infringement of a copyrighted work. Since the late Nineteenth Century, Congress and this Court have articulated a framework for analyzing such cases that is simple, clear, predictable, and objective. This technology-neutral framework has served as a remarkable engine for progress by expanding knowledge and encouraging innovation. Many technologists believe it is responsible for the very emergence of the information economy.

In sharp contrast, two circuit courts have recently constructed new approaches to secondary liability, both of which are untethered from the constitutional objective of progress and the contributory infringement principles long

followed by this Court. Progress in this context requires a careful balance of copyright owners' interest in protecting their works and the public's interest in access to lawful technologies. The Ninth Circuit's decision in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), upon which the court below relied, and the Seventh Circuit's decision in *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003), destroy this balance. Their approaches provide inadequate protection for copyright owners in some instances, and in all cases those approaches chill innovation.

Contrary to the arguments of the parties herein, IEEE-USA respectfully suggests that the protective and public access functions of copyright law are best balanced by the framework already developed by this Court and adopted by Congress as a matter of intellectual property policy. Under the active inducement approach, a provider of a reproduction or distribution technology having substantial noninfringing uses is not liable for another's infringement unless, through conduct that is overt, knowing, and intentional, the provider actively induces the other person to infringe.

ARGUMENT

I. Progress Is Not Adequately Promoted Under The New Circuit Court Approaches To Imposing Secondary Liability For Copyright Infringement.

The Intellectual Property Clause broadly directs that Congress shall have the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONST. Art. I, § 8, cl. 8.

Crafting a statutory scheme to achieve the clause's objective — progress — is the work of Congress, while enforcing that scheme in the manner that best comports with congressional intent and this constitutional purpose is the function of the judiciary. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 (1984); *Graham v. John Deere Co.*, 383 U.S. 1, 5-6 (1966).

The parties to this case present the Court with dramatically differing views regarding when a person providing a technology suitable for lawful distribution or reproduction shall be held liable for another's use of the technology to infringe a copyrighted work. One view, the Ninth Circuit's, requires knowledge of and material contribution to the infringement but permits these elements to be satisfied by constructive knowledge and inaction under certain circumstances. The other view, the Seventh Circuit's, applies a case-specific and unpredictable balancing test to determine the point at which the defendant can be said not to have taken sufficient steps to prevent the infringer's actions.

IEEE-USA respectfully suggests that neither view adequately fulfills the purposes set forth and embodied in the Intellectual Property Clause and the Copyright Act, and that both views depart unnecessarily from this Court's long-established positions regarding secondary liability for intellectual property infringement. For the reasons that follow, neither approach should be approved by this Court.

A. Secondary Liability Must Balance Copyright Owners' Interest In Protection With The Public's Interest In Access To Lawful Technology.

The chief object of the Copyright Act is to encourage a broad availability of content to the public. *See Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975). The essential objective of the Intellectual Property Clause is to promote the public welfare by encouraging advancements in knowledge. *Mazer v. Stein*, 347 U.S. 201, 219 (1954). Both aims may be summed up in the language of the clause itself: "progress."

To encourage the development of copyrightable works, as with the development of patentable art, various interests must be accommodated. Those who have created intellectual property and are given rights under the Copyright or Patent Acts seek protection for their creations. They demand strong laws to enforce their limited monopolies and maximize the return on their efforts before their creations are relegated to the public domain. Such protection provides incentive for their efforts in the first instance.

The public, however, has a competing interest in access to lawful technologies. Maximum access to technology permits the efficient sharing of knowledge and the advancement of society. It also provides authors and engineers with knowledge upon which to build future innovations, allowing them to stand on the shoulders of the giants who have gone before them, and to see farther. *See Sony Corp v. Universal City Studios, Inc.*, 464 U.S. 417, 477-78 & n.28 (1984) (Blackmun, J., dissenting) ("a dwarf standing on the shoulders of a giant can see farther than the giant himself") (quotation omitted).

Progress is best promoted when the competing interests of protection and public access are properly balanced. Where either interest is overemphasized, the other necessarily suffers, and the resulting imbalance will ultimately stall innovation.

Competing needs for protection and public access give rise to the specific tension at issue in this case. The owner of an exclusive right to reproduce and distribute a copyrighted work would receive maximum protection from unauthorized duplication if the owner could control all reproduction and distribution technologies, including "dual use" technologies that can be used for both infringing and noninfringing purposes. An owner effectively receives such maximum protection where secondary liability for infringement may be imposed on those offering dual use reproduction and distribution technologies, but such complete emphasis on the owner's protection right would minimize, and at times destroy, the public's interest in accessing lawful technology for use and innovation. Copyright owners could prevent the distribution of technologies with noninfringing uses merely because infringing uses were possible as well.

In this connection, it should be noted that the historical foundation for the Intellectual Property Clause and the Copyright Act, England's Statute of Anne, was expressly adopted to *abrogate* the crown-granted monopoly on the manufacture and use of a printing press in favor of vesting in authors the modern notion of a "copy right." Edward C. Walterscheid, THE NATURE OF THE INTELLECTUAL PROPERTY CLAUSE: A STUDY IN HISTORICAL PERSPECTIVE 59-61 (2002); William F. Patry, COPYRIGHT LAW AND PRACTICE, 4-6 (1994). America's copyright protection has always excluded ideas and articles of manufacture. *See* 17 U.S.C § 102(b) (limiting

copyright's scope to expression and excluding ideas or systems embodying those ideas); *Baker v. Selden*, 101 U.S. 99 (1879) ("no one would contend that the copyright of the treatise would give the exclusive right to the art or manufacture described therein").

Historically, this Court has recognized the tension between copyright owners and technology makers and noted that the Copyright Act must "strike a balance between a copyright holder's legitimate demand for effective — not merely symbolic — protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce." *Sony*, 464 U.S. at 442. To this end, the Court has been sensitive to copyright owners' desire to impose secondary liability on those whose distribution and reproduction technologies are used for infringement. However, the Court has stopped far short of permitting secondary liability under circumstances that would give copyright holders the de facto ability to control the availability of reproduction and distribution technologies. *Ibid.* In the twin contexts of copyright and patent, the Court has relied on traditional, fault-based concepts to define secondary liability in a manner that is technologically neutral and permits the public a reasonable opportunity to access, and improve upon, both protected and unprotected works and art.

Since the late Nineteenth Century, the Congress and this Court have articulated a well-developed framework for analyzing such cases, one that is simple, clear, predictable, and objective. This technology-neutral framework, set forth in detail, *infra,* in Section II.A., was developed in a trilogy of cases: *Scribner v. Straus*, 210 U.S. 352 (1908), *Kalem Company v. Harper Bros.*, 222 U.S. 55 (1911), and *Sony*.

Under this framework, a provider of dual use technology is not liable for copyright infringement by another unless the provider actively induces the other to infringe.

The active inducement approach assures the public access to technology with a bright-line rule while protecting content owners with fault-based remedies in appropriate cases. The principles that underlie this approach are rooted in balanced and time-honored notions of joint tortfeasance and are limited in accordance with the stated policies of Congress. The result has been a secondary liability framework that promotes the constitutional objective of progress. Unfortunately, though, that framework has been abandoned, and its attendant results lost, by the two circuits whose views on secondary liability are being advanced by the parties in this case.

B. The Ninth Circuit's Approach Fails To Strike An Adequate Balance.

In a series of decisions culminating in the decision below, the Ninth Circuit considered a defendant's secondary liability for copyright infringement by considering the presence of direct infringement, the defendant's knowledge of that infringement, and the defendant's material contribution to the infringement. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 380 F.3d 1154 (9th Cir. 2004), and *Napster* each concerned defendants whose technologies permitted file sharing over the Internet, including files representing copyrighted works of music. Earlier, *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996), addressed a defendant who operated a flea market at which participant vendors engaged in the sale of bootleg items that infringed numerous copyrights.

The Ninth Circuit's approach under *Napster* and *Fonovisa* interprets this Court's decision in *Sony* to bar a finding of imputed constructive knowledge where a technology for sale has both infringing and noninfringing uses, but to allow liability nonetheless if the plaintiff alleging secondary liability can prove that the defendant had reasonable knowledge of specific infringing files and failed to act on that knowledge to prevent such infringement. The Ninth Circuit views the material contribution element as satisfied if the defendant provides the site and facilities for infringement and fails to stop, to the extent it can, specific instances of infringement once knowledge of those instances is acquired.

The Ninth Circuit's approach fails to promote progress because it fails to set a workable balance among the competing interests of protection and public access. The shortcomings of the test can be seen in various respects.

To begin, the Ninth Circuit's test is at once too narrow and too broad, creating unnecessary disincentives to innovation in some instances while failing to protect copyright owners' legitimate interests in others. The centralized technology at issue in *Napster*, for instance, makes mere notice from a potential plaintiff a crippling blow, even if the defendant has done nothing to actively induce an infringement. This result jeopardizes the viability of any centralized network-based system over which files may be transferred. At the same time, the decentralized, distributed technology at issue in *Grokster* makes it impossible for notice of infringing activity to be given at any point when the defendant can take meaningful action, even if the defendant is actually encouraging infringing conduct.

For copyright owners, the Ninth Circuit's approach ironically encourages creation of technologies inhospitable to effective copyright protection. For the public, the approach precludes access to technologies that would benefit from a centralized structure. Engineers are encouraged to design reproduction and distribution technologies with only a distributed, decentralized structure, regardless of the technological inefficiencies that such a structure might impose. Indeed, the perverse incentives of this new approach have led to what would otherwise seem unnecessary bodies of research to address technical issues associated with compliant technologies. *See, e.g.*, Edith Cohen et al., *Associative Search in Peer to Peer Networks: Harnessing Latent Semantics,* 2 IEEE INFOCOM Proceedings 1261-71 (2003); *Beverly Yang et al., Comparing Hybrid Peer-to-Peer Systems,* Very Large Data Bases Conference Proceedings, 561-70 (2001).

The Ninth Circuit's approach also creates a system that chills public access to important reproduction technologies. Liability is focused not on the conduct of the defendant but on a class of customers whose conduct the defendant did not actively induce. Producers of technology may sooner avoid the marketplace than risk financial ruin on the conduct of others.

Indeed, the Ninth Circuit's approach can be fairly viewed as granting copyright holders a de facto patent over all centralized technologies for reproducing or distributing works. So long as the defendant is made aware of specific infringing acts by those using the technology in time to take preventative or corrective measures, the defendant may become liable for the infringing acts. Such patent-like protection for copyrighted works is antithetical to the limited

nature of copyright as covering works of expression, not art, and to Congress's directive in section 102(b) of the Copyright Act that "in no case does copyright protection . . . extend to any idea, procedure, process, system, method of operation, concept, principle or discovery." *See* 17 U.S.C. § 102(b); *Mazer v. Stein*, 347 U.S. 201 (1954) ("Unlike a patent, a copyright gives no exclusive right to the art disclosed"). This patent-like protection may even be considered a super patent, in that it can be exploited to exclude, for an unlimited time, technologies that were neither conceived nor invented at the time a given work was created.

Finally, it bears mention that the Ninth Circuit's test permits no opportunity for a potential defendant to obtain some form of license or consent from copyright holders who might otherwise pursue claims for secondary liability, let alone to do so prior to an investment in design. The number of potential plaintiffs would include all current copyright owners as well as future copyright owners, whether registered or not, making the number practically infinite, and making any potential agreement impossible.

In short, this new and complex test is unclear and unpredictable, and its focus on the conduct of bad actors discourages innovation and even participation in the technological marketplace. Technologists are unable to determine whether or when to invest in developing new technologies. Rather than promote progress, the Ninth Circuit's approach has stifled it, providing some copyright holders too little protection and others too much.

C. The Seventh Circuit's Approach Fails To Strike An Adequate Balance.

The Seventh Circuit in *Aimster* adopted its own novel standard for considering secondary liability for copyright infringement. The court considered a claim that the defendant's technology permitted unlawful sharing of copyrighted music files over the Internet. The Seventh Circuit's decision permits liability for providing potentially infringing technology where the defendant has knowledge of possible infringement, subject to a balancing test that asks a court to weigh the technology's actual and probable uses and balance the costs and benefits of preventing possible infringement. *Aimster* indicated that knowledge sufficient to predicate liability can be inferred where the defendant takes steps to ensure it remains unaware that users of the its technology are infringing copyrights.

The Seventh Circuit's balancing approach will, by its nature, capture some conduct not captured under the Ninth Circuit test. Decentralization of an operative technology is effectively preclusive of liability under the Ninth Circuit approach because of the inability to notify defendants of specific infringements while the technology is still in the defendants' possession. Under the Seventh Circuit's balancing test, however, liability may be found for a decentralized technology where, on balance, the defendant should have taken more steps to prevent known or deliberately ignored infringing uses. The Seventh Circuit's test is also underinclusive, in that it may not provide for liability against a person who actively induces another to infringe, so long as the person designs its technology with adequate infringement safeguards.

Ultimately, the Seventh Circuit's approach is no better an effort to promote progress, and balance the interests of

protection and public access, than the Ninth Circuit's approach. The chief problem with the Seventh Circuit's standard is that, from the perspective of IEEE-USA and its engineers who design developing technologies, the standard is grossly unpredictable. It is one thing to develop a clear test that is designed to produce as fair a result as possible across all situations. It is another thing altogether to develop a test that simply calls for fairness to be applied, where what is permissible is determined only after the infringement litigation is concluded. The Seventh Circuit's approach is the latter, and it is, technologically speaking, unworkable.

Even high-technology professionals may disagree on what a marketplace will do with a product or how a cost/benefit analysis regarding anti-infringement features should result. To expect engineers to reach a consensus on their own views and to foresee how the court system will see the situation is to ask the impossible. Engineers and their employers invest time, manpower, and financial resources to bring a technology to market. Only then, under the Seventh Circuit's approach, would a court be confronted by competing experts and asked to substitute its judgment for that of the marketplace, which may well produce a result that could not have been predicted prior to the entry of judgment.

The Seventh Circuit's view of the knowledge requirement is additionally problematic. If, as *Aimster* suggested, designing a file-sharing system that encrypts the files shared and thus prevents a centralized network from policing their copyrighted nature is the equivalent of willful ignorance, resulting in imputed knowledge, then it remains uncertain whether *any* technological feature that precludes awareness of infringement might not be found to give rise to imputed knowledge.

Such liability, when present, would effectively remove a product from a marketplace and give rise to potentially staggering damages awards, even under the minimum statutory damages provisions of the Copyright Act. Reasonable technology manufacturers may well choose not to produce products with infringement potential, regardless of the noninfringing benefits that such technologies might bring to society. The public would lose access not only to useful technology but to opportunities for innovation that could spur still more advanced technologies.

In the final analysis, the Seventh Circuit's approach permits courts to evaluate technologies based on how they are ultimately used by the marketplace, and to assign liability for infringement anytime preventative measures are retrospectively viewed to have been economically efficient. Progress is deterred, not promoted, by the Seventh Circuit's approach.

II. Progress Is Best Promoted By Imposing Secondary Liability For Providing Dual Use Technology Only Where The Provider Has Actively Induced An Infringement.

The circuit court views discussed above lack both constitutional and historical legitimacy. Each fails to balance the protective and public access functions of copyright, and each is unmoored from this Court's case law regarding secondary liability and the articulated policy of Congress. The circuit court tests are technology-specific, ad hoc efforts to address the Internet-based systems that those cases presented. IEEE-USA respectfully suggests that a framework already crafted by this Court and Congress offers a historically rooted, technology-neutral solution that achieves

the proper balance of interests. Under the active inducement standard, a noninfringing provider of a dual use reproduction or distribution technology should not be liable for the infringements of a user of the technology, unless the provider actively induced the user to infringe.

A. Secondary Liability Is Long Rooted In Active Inducement.

Overlooked by the circuit courts in their quest to articulate standards consistent with *Sony* is that *Sony* does not stand alone in this Court's secondary liability jurisprudence. To the contrary, the Court has long rendered and relied upon decisions that utilize a straightforward and fault-based standard for secondary liability.

Some 70 years before *Sony*, the Court in *Kalem* considered whether a cinema film producer who created a film representation of the copyrighted book *Ben Hur* was secondarily liable for copyright infringement. The producer provided prints of the film to jobbers who exhibited them and who, in doing so, infringed upon the book author's copyright. Justice Holmes, writing for the Court, acknowledged that while mere indifferent knowledge that infringements could occur might not give rise to liability, that was not the case before the Court. Rather, the defendant there had advertised that the film could be exhibited to produce a dramatic representation of the book, and the Court found that this was the "most conspicuous purpose" for which the film could be used. *Id.* at 62-63. The Court concluded that the defendant was liable "on principles recognized in every part of the law." *Id.* at 63. For support, the Court cited *Harper v. Shoppell*, 29 F. 613 (S.D. N.Y. 1886), a copyright case, as well as two patent cases, *Morgan Envelope Co. v.*

Albany Perforated Wrapping Paper Co., 152 U.S. 425 (1894), and *Rupp & W. Co. v. Elliott*, 131 Fed. 730 (6th Cir. 1904).

In *Harper*, a printing plate maker sold a customer a product embodying a copyrighted illustration. The customer infringed on the copyright by using the product to publish the illustration. *Harper* concluded the plate-maker could be liable because it acted in actual concert with the customer with a view that the ultimate infringement would occur. *Harper* relied on the seminal decision in *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871) (No. 17-100).

Wallace is today recognized as the leading and first reported case of secondary liability under the Patent and Copyright Acts. Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. 521 (1953); 5 Donald S. Chisum, PATENTS § 17.02[1] (2004). The defendant there sold a product that was used by its customers to infringe the patent-in-suit. The defendant's product, an independently useless lamp base, was combined with a chimney by customers to create an infringing product. The defendant argued that it could not be held liable for selling merely a lamp base, but the court disagreed. The court spoke of the defendant's intent that the lamp base would be combined with the chimney, such that the defendant and its customers could be said to have been acting in concert:

> If, in actual concert with a third party, with a view to the actual production of the patented improvement in lamps, and the sale and use thereof, they consented to manufacture the ~~burner,~~ and such other party to make the chimney, and, in such concert, they actually make and sell the

> burner, and he the chimney, each utterly useless without the other, and each intended to be used, and actually sold to be used, with the other, it cannot be doubtful that they must be deemed to be joint infringers. . . . In such case, all are tort-feasors, engaged in a common purpose to infringe the patent, and actually, by their concerted action, producing that result.

29 F. Cas. at 80. In this language and the language of its progeny may be found the essential and alternative elements of modern secondary liability for patent and copyright infringement, including elements of active concert, direct infringement, purpose to infringe, and unsuitability for a noninfringing purpose.

Moreover, history shows that the elements of active inducement articulated in *Wallace* have been consistently relied upon in the contexts of both patent and copyright to establish, or disprove, secondary liability for infringement. *See generally* Giles R. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 Geo. Wash. L. Rev. 521,526-30; Donald S. Chisum, PATENTS, § 17.02 (2004). For patents, *Wallace* and its progeny were codified and restated in Section 271 of the Patent Act of 1952, which established the scope and limits of secondary liability for patent infringement under an active inducement and material contribution standard. 35 U.S.C. § 271(a)-(d) (secondary liability only for active inducement or contribution of non-dual use technology); *see also* Rich, 21 Geo. Wash. L. Rev. at 525-42.

With regard to copyright, this Court has long relied on active inducement principles to define the scope of secondary liability. In *Scribner v. Straus*, 210 U.S. 352 (1908), a retail

store purchased discounted books from upstream distributors who had bought the books from the copyright owner under a license agreement not to resell them at a discount. The copyright owner sued the store for copyright infringement, asserting that the distributors infringed the owner's copyright and that the retail store was secondarily liable for that infringement. This Court affirmed the circuit court's conclusion that the store was not liable. 210 U.S. at 355. That conclusion was based on the view that, "[i]n the absence of proof of . . . a wrongful attempt on the part of defendants to induce its vendors to break any contract, there can be no foundation for a claim of contributory infringement." *Scribner v. Strauss*, 147 F. 28, 32 (2d Cir. 1906). Without inducement, no secondary liability could lie.

Shortly thereafter, the Court found a defendant secondarily liable for copyright infringement in *Kalem*, the cinema film case. The Court noted that exhibiting the defendant's "moving pictures" in a manner that constituted direct infringement was "the most conspicuous purpose for which they could be used." 222 U.S. at 62-63. That observation could suggest a willingness by the Court to infer active inducement, as where a product has dual infringing and noninfringing uses, but no such inference was necessary in *Kalem* because the defendant had in fact promoted the infringing use of its "moving pictures" through advertisements and had created its film for the purpose of being exhibited in an infringing manner. Under those circumstances, which directly showed active inducement, the Court had no trouble finding secondary liability. Indeed, in a statement that confirmed the propriety of imposing such liability, Justice Holmes succinctly explained, "If the defendant did not contribute to the infringement, it is impossible to do so except by taking part in the final act." *Id.* at 63.

Most recently, this Court in *Sony* rejected the notion that a provider of a video tape recorder could be secondarily liable for copyright infringement committed by the product's users, even though the defendant had at least constructive knowledge that its recorders were routinely being used for infringing purposes. Distinguishing *Kalem*, the Court relied upon district court findings that no evidence showed the defendant encouraged the infringement and that the defendant "certainly did not intentionally induce its customers to make infringing uses." 464 U.S. at 438-39 & n.19. The Court concluded that any secondary liability, if present, must be consistent with the acknowledged and analogous secondary liability policy set forth by Congress in Section 271 of the Patent Act, from which the Court concluded that the defendant could not be secondarily liable for merely providing a dual use technology. *Id.* at 456; *see also* 35 U.S.C. § 271(c) (no liability under the Patent Act where an article is "suitable for substantial noninfringing use").

Fundamental to any explication of secondary liability for copyright infringement in general, and *Sony* in particular, are Congress's codification and restatements of prior secondary liability case law. In 1952, Congress adopted Section 271 of the Patent Act, harmonizing the developing and contradictory jurisprudence of secondary liability and misuse in patent law. Section 271 established that the doctrine of patent misuse would continue to preclude overreaching by a patentee, but secondary liability would be defined by Sections 271(b) (active inducement) and 271(c) (material contribution of non-dual use technology). *See* 35 U.S.C. § 271. It was that particular statement of legislative policy that led the Court in *Sony* to cabin secondary liability by precluding liability for the mere provision of dual use products in the absence of inducement. Because the Court

had concluded that the facts in *Sony* presented no question of active inducement, it did not have to reach the applicability of section 271(b).

A quarter century later, Congress implicitly addressed secondary liability under the Copyright Act. In the Copyright Act of 1976, Congress granted authors exclusive but limited rights "to do and to authorize" certain acts with respect to their works, including the rights to reproduce and distribute them. 17 U.S.C. § 106 (enumerating exclusive rights), §§ 107-20 (enumerating limitations on those exclusive rights). A House Report accompanying the new act explained that the language, "to authorize," in section 106 served "to avoid any questions as to the liability of contributory infringers." H.R. REP. 94-1478, at 61, *reprinted* in 1976 U.S.C.C.A.N. 5659, 5675.

The report not only spoke of section 106 as providing a statutory basis for secondary liability but included an example of unlawful contributory infringement. The example explained that "a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of unauthorized public performance." *Ibid.* That example is indistinguishable from the facts at issue in *Kalem*, and Congress's selection of it helps demonstrate the overarching parallels between the Court's decisions in *Scribner*, *Kalem*, and *Sony* and Congress's policy on secondary liability as expressed through section 106 of the Copyright Act and section 271 of the Patent Act.

Viewing these authorities together, it is manifest that the scope of secondary liability for copyright and patent infringement has already been established through both this

Court's precedent and congressional declaration. Simply put, a person is not liable under the Copyright Act for providing dual use technology, unless the person actively induced another to infringe. Unlike other proposed fault-based tests of mere knowledge or mere intentional inducement, liability for *active* inducement is fully consistent with this Court's case law and the public policies articulated by Congress. This is because the test for *active* inducement of copyright infringement must require, at least: (i) an overt act that actually induces another to engage in infringing conduct, exclusive from mere provision of a dual use technology; (ii) knowledge that the conduct induced constitutes infringement of a copyright; and (iii) intent that the induced acts would occur.

Overt Act. In *Scribner*, this Court rejected secondary liability for the retail store because it took no steps to induce the licensee to infringe the owner's copyright. It follows, then, that *Scribner* sought an affirmative act on the defendant's part, rather than inaction alone.

Sony clarified, however, that the mere sale or advertising of a dual use product, or of its features and particular uses that are not unambiguously infringing, is not the sort of act that will qualify under the active inducement standard. 464 U.S. at 438-39 & n.19; *see also* 580 F. Supp. at 436 (explaining the defendant used magazine, television, and radio advertising that invited consumers to use product to record broadcast video, which could under some circumstances constitute infringement). The Court searched for overt acts of inducement but found only conduct incidental to the provision of a dual use technology, conduct that "certainly [did] not 'intentionally induce' [] customers to make infringing use." 464 U.S. at 438-39 & n.19.

Patent Act authorities have likewise concluded that an overt act is required for secondary liability under section 271(b) of that act. As Judge Rich and P.J. Federico, two of the Patent Act's drafters, explain, active inducement under section 271(b) requires an affirmative step, and one beyond mere sale of an item with a substantial noninfringing use. Rich, 21 Geo. Wash. L. Rev. at 538-41 (as essential to construing the term "active"); P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (1954 ed.), *reprinted in* 75 J. Pat. & Trademark Off. Soc'y 1 (1993). The Federal Circuit has made the same observation. *Dynacore Holdings Corp. v. U.S. Phillips Corp.*, 363 F.3d 1263, 1276 n.6 (Fed. Cir. 2004) ("sale of a lawful product by lawful means, with the knowledge that an unaffiliated third party may not infringe, cannot, in and of itself, constitute an inducement of infringement").

Knowledge. The knowledge element is evident from this Court's decision in *Kalem*. When the Court held the defendant in that case secondarily liable for infringement, the Court expressly relied on the defendant's knowledge that its "moving pictures" would be displayed by others in a manner that constituted infringement. Nothing in *Kalem* suggested that the Court would have found liability in the absence of such knowledge.

In the analogous patent context, the Court has held that Section 271(c) requires knowledge that another's use constitutes infringement. *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964); *see also* Chisum § 17.04[2] (concluding *Aro* applies to Section 271(b)). Similarly, the Federal Circuit has concluded throughout its jurisprudence that section 271(b) of the Patent Act requires knowledge that the conduct induced would

constitute an infringement. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1318 (Fed. Cir. 2003).

Sony found no inducement when the defendant advertised that users of its video tape recorders could create private libraries of copyrighted material. The defendant believed and argued that such use constituted fair use, not infringement. *Sony*'s conclusion of no liability in this regard fairly shows that a reasonable good faith belief that induced conduct is fair use negates the knowledge element and precludes liability for inducement.

Intent. Intent has long been a touchstone for secondary liability. In *Kalem*, and the authorities cited therein, it was stated that liability arises only at the point where the defendant becomes an accomplice to the infringing acts of another. *Kalem*, 221 U.S. at 21; *see also Harper*, 28 F. 613 at 615 (citing *Wallace*). A mere indifferent supposition or knowledge on the part of the inducing party is not sufficient to connect him with the unlawful consequences. 221 U.S. at 21. In *Rupp & W. Co. v. Elliott*, 131 Fed. 730 (6th Cir. 1904), which this Court relied upon in *Kalem*, the circuit court concluded that "[t]he intent that the article sold shall be used in an infringing way must be made out." *Id.* at 733.

In the patent context, more than knowledge has been required to make out a case for active inducement. Rich, 21 Geo. Wash. L. Rev. at 537 ("significant point, which differentiates [inducement] from [material contribution] is that in providing a case [for inducement] the evidence must establish active inducement and that involves intent"); P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (1954 ed.), *reprinted in* 75 J. Pat. & Trademark Off. Soc'y 161, 214 (1993). Although there remains

uncertainty as to the specific standard to be applied, the Federal Circuit has historically required some level of intent to induce infringement. *Fuji Photo Film Co., Ltd. v. Jazz Photo Corp.*, No. 03-1324, 2005 WL 77214 (Fed. Cir. Jan. 14, 2005). Some panels require mere intent to induce the specific acts by the direct infringer, while others additionally require intent to cause an infringement. *Institutform Tech., Inc. v. Cat Contracting, Inc.*, 385 F.3d 1360 (Fed. Cir. 2004). In all cases, though, intent is required. *See also Henry v. A.B. Dick Co.*, 224 U.S. 1, 33-34 (1912) ("'Contributory infringement' . . . has been well defined as the intentional aiding of one person by another in the unlawful making, or selling, or using of the patented invention."), *overruled on other grounds, Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517 (1917).

These requirements are wholly consistent with, if not compelled by, this Court's case law. Indeed, some lower courts have previously drawn similar conclusions. *E.g.*, *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (relying on *Scribner* and other authorities for the notion that one who "induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory infringer'.").

In sum, the proper standard for considering secondary liability for copyright infringement has already been established through this Court's case law and Congress's affirmative enactments. The standard is one of *active* inducement.

B. The Active Inducement Test Best Promotes Progress By Providing The Public With Legitimate Technologies While Protecting Authors From Infringing Behavior.

The active inducement test provides that a noninfringing provider of a dual use reproduction or distribution technology is not liable for another's infringing use of the technology, unless the provider has actively induced the infringement. This standard best promotes progress by providing the public access to legitimate technologies while protecting authors from infringing behavior.

The active inducement standard mitigates if not eliminates the problems associated with the Ninth Circuit's recently developed standard. Mere notice of infringement and an opportunity to prevent it creates liability under the Ninth Circuit's standard in a way that discourages centralized technologies, ultimately compromising copyright's public access to technology function. At the same time, the Ninth Circuit's standard provides a de facto safe harbor for certain decentralized technologies regardless of the conduct of the provider, which comprises copyright's protective function for copyright holders.

The active inducement standard prevents these results by requiring the plaintiff to show that the defendant engaged in overt, knowing, and intentional conduct inducing infringement. Liability is not triggered by the defendant's inaction coupled with other persons' action, and there is no distributed network safe-harbor for bad actors because the active inducement standard is technology-neutral.

An active inducement standard also eliminates the chief problem with the Seventh Circuit's approach: unpredictability. Much like this Court's decision in *Sony* drew a bright line regarding the propriety of distributed video tape recorders with substantial noninfringing uses, the active inducement standard informs technologists and their employers on how they can lawfully build and distribute reproduction and similar technologies without risking cataclysmic liability to an infinite class of copyright owners: (i) they must not provide technologies having only insubstantial non-infringing uses; and (ii) they must ensure that they do not actively induce others to infringe. This well understood and practical approach has withstood the test of time in the patent system, providing excellent protection to give incentive to inventors while at the same time fostering innovation and incremental improvement by others. By comparison, the Seventh Circuit's approach utilizes an ideal that can only be understood and applied once the outcome of the infringement litigation is known.

Ultimately, the active inducement standard defined by this Court and Congress has the virtue of providing a simple, clear, and predictable rule that is straightforward in its application and independent of the particular technology at issue. It applies liability based on a defendant's own conduct, and not upon the unpredictable conduct of others. By comparison, the approaches of the Seventh and Ninth Circuits place technologists in the perpetual role of policing the conduct of others, a role that will quickly lead to diminished public access to technology and, in the end, stifled progress.

Copyright law, originally created to eliminate a printing press monopoly, has never been a vehicle for trade regulation

for reproduction and distribution technology, yet that is precisely the result of the standards offered by the Ninth and Seventh Circuits. Only Congress, and not the courts, should consider so invasive an intervention in the marketplace, and then only under its Commerce Clause authority, not through the Intellectual Property Clause. *See Sony*, 363 U.S. at 430-31, 457.

Confirming the active inducement standard and rejecting the new circuit court tests will restore copyright law to its rightful place. Copyright owners will be left with unfettered claims against those who actually infringe or engage in active concert with those who do, and technologists who create products with lawful, noninfringing uses without actively inducing infringement will be left to provide novel and innovative technologies to the public.

CONCLUSION

The Copyright Act should be interpreted to promote progress by balancing copyright owners' interest in protection for their works and the public's interest in access to technologies that may be lawfully used. Neither the Ninth Circuit's nor the Seventh Circuit's approach balances those interests adequately with respect to the secondary liability of a provider of a dual use reproduction and distribution technology.

By comparison, the active inducement standard described in this brief best promotes progress. It is easily grasped and applied, assures fundamental fairness and predictability, and is derived directly from the stated policies of Congress and the jurisprudence of this Court. Accordingly, IEEE-USA respectfully submits that a noninfringing provider of a dual use reproduction or distribution technology should not be liable for infringement committed by a user of the technology, unless the provider actively induced the user to infringe.

Respectfully submitted,

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